

AMENDED IN ASSEMBLY JUNE 8, 2006

SENATE BILL

No. 1520

Introduced by Senator Ducheny

February 23, 2006

An act to amend Sections 14166.6 ~~and 14166.7~~, *14166.7*, and *14166.75* of the Welfare and Institutions Code, relating to Medi-Cal, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1520, as amended, Ducheny. Medi-Cal: hospital funding demonstration project: University of California.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons receive health care benefits. The Medi-Cal program is, in part, governed and funded by federal Medicaid provisions.

Existing law establishes the Medi-Cal Hospital/Uninsured Care Demonstration Project Act, which revises hospital reimbursement methodologies under the Medi-Cal program in order to maximize the use of federal funds consistent with federal Medicaid law and stabilize the distribution of funding for hospitals that provide care to Medi-Cal beneficiaries and uninsured patients. This demonstration project provides for funding, in supplementation of Medi-Cal reimbursement, to various hospitals, including designated public hospitals, as defined in accordance with certain provisions relating to disproportionate share hospitals, and which include specified University of California hospitals. Existing law requires the Director of Health Services, with respect to each project year, to determine a baseline funding amount for each designated public hospital, and, with respect to each project

year after the 2005–06 project year, to determine an adjusted baseline funding amount for each of these hospitals to reflect any increase or decrease in volume.

Existing law provides that, for the 2005–06 project year and subsequent project years, each designated public hospital shall be eligible to receive an allocation of federal Medicaid funding from the applicable federal disproportionate share hospital allotment. Existing law requires that this allocation to a designated public hospital, in combination with other specified funding sources, not exceed the baseline funding amount or adjusted baseline funding amount, as appropriate, for that hospital.

~~This bill would create an exception from this limitation for a designated public hospital that is part of a hospital system containing multiple designated public hospitals licensed to the same governmental entity. However, the bill would require that the sum of the above allocations made to each hospital in that hospital system, in combination with the sum of the other specified payments made to each hospital in that system, not exceed the sum of the individual baseline funding amounts, as appropriate, or individual adjusted baseline funding amounts for the hospitals in that system.~~

Existing law provides that, with respect to each project year, designated public hospitals, or governmental entities with which they are affiliated, shall be eligible to receive specified safety net care pool payments from the Health Care Support Fund. Existing law requires that the total amount of these payments to a hospital, in combination with other specified funds, not exceed the hospital's baseline funding amount or adjusted baseline funding amount.

~~This bill would provide that this limitation shall be considered satisfied in the case of a designated public hospital that is part of a hospital system containing multiple designated public hospitals licensed to the same governmental entity if the sum of the above safety net care pool payments made to each hospital in that hospital system, in combination with the sum of the other specified payments made to each hospital in that system, does not exceed the sum of the individual baseline funding amounts or individual adjusted baseline funding amounts for the hospitals in that system.~~

Existing law requires that each designated public hospital receive quarterly interim payments of its disproportionate share hospital allocation and safety net care pool payments during the project year, and requires the department to adjust those payments as specified.

This bill would require the department, prior to the distribution of the above quarterly interim payments and payment adjustments to a designated public hospital that is part of a hospital system containing multiple designated public hospitals licensed to the same governmental entity, to consult with the applicable governmental entity. It would require the department to implement any adjustments to the payment distributions for the hospitals in that hospital system as requested by the governmental entity if the net effect of the requested adjustments for those hospitals is zero. The bill would require that any such adjustments be disregarded in the application of the limitations on a hospital's receipt of federal disproportionate share hospital allocations and safety net care pool payments based on its baseline funding amount or adjusted baseline funding amount, as described above.

Existing law provides for the payment of stabilization funding to, among other entities, designated public hospitals. Existing law requires that stabilization funding for services provided during the 2005-06 project year be distributed to designated public hospitals in accordance with a specified formula based, in part, on the amount of federal financial participation received by each designated public hospital, and by certain affiliated entities, based on certified public expenditures, from the federal disproportionate share hospital allotment and from the safety net care pool payments.

This bill would require that, if a payment adjustment for a hospital has been made pursuant to the above provisions, the amount of federal financial participation received by the hospital based on certified public expenditures be determined for the purposes of the above formula as though no such payment adjustment had been made.

This bill would declare that it is to take effect immediately as an urgency statute.

*Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.*

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The University of California (UC) health system is the fifth
- 4 largest hospital system in California. The five academic medical
- 5 centers share, and collaborate toward, a common mission of

1 educating the next generation of health professionals, conducting
2 cutting edge research, and providing high-quality patient care.
3 Annually, the medical centers provide patient care services
4 valued at over \$3.8 billion.

5 (b) Successful implementation of the Medi-Cal
6 Hospital/Uninsured Demonstration Project, approved by the
7 federal Centers for Medicare and Medicaid Services, is critical to
8 maintaining essential communitywide services provided by the
9 UC medical centers. The UC medical centers house 3,467
10 licensed acute care hospital beds and provide a broad array of
11 specialized services that are often not available elsewhere,
12 including trauma, burn, and cancer centers, high-risk obstetrics
13 programs, and neonatal intensive care units. The Medi-Cal
14 Hospital/Uninsured Demonstration Project must ensure that
15 Medi-Cal and uninsured patients have access to the tertiary
16 health care services offered at UC; specialized health care
17 services must be available to all patients.

18 (c) In order to ensure that Medi-Cal recipients and the
19 uninsured have access to basic and specialized hospital care, the
20 Medi-Cal Hospital/Uninsured Demonstration Project must ensure
21 that adequate numbers of health professionals are trained. The
22 UC medical centers offer more than 300 residency programs and
23 train almost one-half of all interns and residents in California.
24 The UC medical centers are among the largest teaching facilities
25 that will receive funding under the Medi-Cal Hospital/Uninsured
26 Demonstration Project.

27 (d) The five medical centers operate within the larger UC
28 health system and work collaboratively with UC's five medical
29 schools to achieve their mission of education, research, and
30 clinical care. UC's complex organizational structure may create
31 challenges to the medical centers under the Medi-Cal
32 Hospital/Uninsured Demonstration Project. These difficulties
33 would be addressed by clarifying that the five UC medical
34 centers are a system for the purposes of the Medi-Cal
35 Hospital/Uninsured Demonstration Project.

36 (e) By ensuring access to UC's tertiary care medical centers,
37 the State of California works to improve the health of Medi-Cal
38 and uninsured patients. It is appropriate to regard the five UC
39 medical centers as a hospital system under the Medi-Cal

1 Hospital/Uninsured Demonstration Project in order to ensure
2 adequate resources are available to work toward this goal.

3 ~~SEC. 2. Section 14166.6 of the Welfare and Institutions Code~~
4 ~~is amended to read:~~

5 ~~14166.6. (a) For the 2005–06 project year and subsequent~~
6 ~~project years, each designated public hospital described in~~
7 ~~subdivision (c) of Section 14166.3 shall be eligible to receive an~~
8 ~~allocation of federal Medicaid funding from the applicable~~
9 ~~federal disproportionate share hospital allotment pursuant to this~~
10 ~~section. The department shall establish the allocations in a~~
11 ~~manner that maximizes federal Medicaid funding to the state~~
12 ~~during the term of the demonstration project, and shall consider,~~
13 ~~at a minimum, all of the following factors, taking into account all~~
14 ~~other payments to each hospital under this article:~~

15 ~~(1) The optimal use of intergovernmental transfer-funded~~
16 ~~payments described in subdivision (d):~~

17 ~~(2) Each hospital's pro rata share of the applicable aggregate~~
18 ~~designated public hospital baseline funding amount described in~~
19 ~~subdivision (d) of Section 14166.5:~~

20 ~~(3) (A) That, unless the circumstances described in~~
21 ~~subparagraph (B) apply, the allocation under this section, in~~
22 ~~combination with the federal share of certified public~~
23 ~~expenditures for Medicaid inpatient hospital services for the~~
24 ~~project year determined under subdivision (a) of Section~~
25 ~~14166.4, any supplemental reimbursement for professional~~
26 ~~services rendered to hospital inpatients determined for the project~~
27 ~~year under subdivision (c) of Section 14166.4, and the~~
28 ~~distribution of safety net care pool funds from the Health Care~~
29 ~~Support Fund determined under subdivision (a) of Section~~
30 ~~14166.7, shall not exceed the baseline funding amount or~~
31 ~~adjusted baseline funding amount, as appropriate, for the~~
32 ~~hospital:~~

33 ~~(B) In the case of a designated public hospital that is part of a~~
34 ~~hospital system containing multiple designated public hospitals~~
35 ~~licensed to the same governmental entity, the allocation under~~
36 ~~this section shall be considered to have satisfied the limitation~~
37 ~~described in subparagraph (A) if the sum of the allocations made~~
38 ~~under this section to the hospitals in that hospital system, in~~
39 ~~combination with the sum of all other payments described in~~
40 ~~subparagraph (A) made to the hospitals in that system, does not~~

1 exceed the sum of the individual baseline funding amounts or
2 individual adjusted baseline funding amounts, as appropriate, for
3 the hospitals in that system.

4 (4) Minimizing the need to redistribute federal funds that are
5 based on the certified public expenditures of designated public
6 hospitals as described in subdivision (c).

7 (b) Each designated public hospital shall receive its allocation
8 of federal disproportionate share hospital payments in one or
9 both of the following forms:

10 (1) Distributions from the Demonstration Disproportionate
11 Share Hospital Fund established pursuant to subdivision (d) of
12 Section 14166.9, consisting of federal funds claimed and
13 received by the department, pursuant to subparagraphs (A) and
14 (C) of paragraph (2) of subdivision (a) of Section 14166.9 based
15 on designated public hospitals' certified public expenditures up
16 to 100 percent of uncompensated Medi-Cal and uninsured costs.

17 (2) Intergovernmental transfer-funded payments, as described
18 in subdivision (d). For purposes of determining whether the
19 hospital has received its allocation of federal disproportionate
20 share hospital payments established under this section, only the
21 federal share of intergovernmental transfer-funded payments
22 shall be considered.

23 (c) The distributions described in paragraph (1) of subdivision
24 (b) may be made to a designated public hospital independent of
25 the amount of uncompensated Medi-Cal and uninsured costs
26 certified as public expenditures by that hospital pursuant to
27 Section 14166.8, provided that, in accordance with the Special
28 Terms and Conditions for the demonstration project, the recipient
29 hospital does not return any portion of the funds received to any
30 unit of government, excluding amounts recovered by the state or
31 federal government.

32 (d) Designated public hospitals that meet the requirement of
33 Section 1396r-4(b)(1)(A) of Title 42 of the United States Code
34 regarding the Medicaid inpatient utilization rate or Section
35 1396r-4(b)(1)(B) of Title 42 of the United States Code regarding
36 the low-income utilization rate, may receive intergovernmental
37 transfer-funded disproportionate share hospital payments as
38 follows:

39 (1) The department shall establish the amount of the hospital's
40 intergovernmental transfer-funded disproportionate share

1 hospital payment. The total amount of that payment, consisting
2 of the federal and nonfederal components, shall in no case exceed
3 that amount equal to 75 percent of the hospital's uncompensated
4 Medi-Cal and uninsured costs of hospital services, determined in
5 accordance with the Special Terms and Conditions for the
6 demonstration project.

7 (2) A transfer amount shall be determined for each hospital
8 that is subject to this subdivision, equal to the nonfederal share of
9 the payment amount established for the hospital pursuant to
10 paragraph (1). The transfer amount so determined shall be paid
11 by the hospital, or the public entity with which the hospital is
12 affiliated, and deposited into the Medi-Cal Inpatient Payment
13 Adjustment Fund established pursuant to subdivision (b) of
14 Section 14163. The sources of funds utilized for the transfer
15 amount shall not include impermissible provider taxes or
16 donations as defined under Section 1396b(w) of Title 42 of the
17 United States Code or other federal funds. For this purpose,
18 federal funds do not include patient care revenue received as
19 payment for services rendered under programs such as Medicare
20 or Medicaid.

21 (3) The department shall pay the amounts established pursuant
22 to paragraph (1) to each hospital using the transfer amounts
23 deposited pursuant to paragraph (2) as the nonfederal share of
24 those payments. The total intergovernmental transfer-funded
25 payment amount, consisting of the federal and nonfederal share,
26 paid to a hospital shall be retained by the hospital in accordance
27 with the Special Terms and Conditions for the demonstration
28 project.

29 (e) The total federal disproportionate share hospital funds
30 allocated under this section to designated public hospitals with
31 respect to each project year, in combination with the federal
32 share of disproportionate share hospital payment adjustments
33 made to nondesignated public hospitals pursuant to Section
34 14166.16 for the same project year, shall not exceed the
35 applicable federal disproportionate share hospital allotment.

36 (f) Each designated public hospital shall receive quarterly
37 interim payments of its disproportionate share hospital allocation
38 during the project year. The determinations set forth in
39 subdivisions (a) to (e), inclusive, shall be made on an interim
40 basis prior to the start of each project year, except that, with

1 respect to the ~~2005-06~~ project year, the interim determinations
2 shall be made prior to January 1, 2006. The department shall use
3 the same cost and statistical data used in determining the interim
4 payments for Medi-Cal inpatient hospital services under Section
5 14166.4, and available payments and uncompensated and
6 uninsured cost data, including data from the Medi-Cal paid
7 claims file and the hospital's books and records, for the
8 corresponding period.

9 (g) No later than April 1 following the end of the project year,
10 the department shall undertake an interim reconciliation of
11 payments based on Medicare and other cost, payment, and
12 statistical data submitted by the hospital for the project year, and
13 shall adjust payments to the hospital accordingly.

14 (h) Each designated public hospital shall receive its
15 disproportionate share hospital allocation, as computed pursuant
16 to subdivisions (a) to (e), inclusive, subject to final audits of all
17 applicable Medicare and other cost, payment, and statistical data
18 for the project year.

19 SEC. 3. Section 14166.7 of the Welfare and Institutions Code
20 is amended to read:

21 14166.7. (a) (1) With respect to each project year,
22 designated public hospitals, or governmental entities with which
23 they are affiliated, shall be eligible to receive safety net care pool
24 payments from the Health Care Support Fund established
25 pursuant to Section 14166.21.

26 (A) Unless the circumstances described in subparagraph (B)
27 apply, the total amount of the payments made pursuant to this
28 subdivision, in combination with the federal share of certified
29 public expenditures for Medicaid inpatient hospital services
30 determined for the project year under subdivision (a) of Section
31 14166.4, any supplemental reimbursement for physician and
32 nonphysician practitioner services rendered to hospital inpatients
33 determined for the project year under subdivision (e) of Section
34 14166.4, and the federal disproportionate share hospital
35 allocation determined under Section 14166.6, shall not exceed
36 the hospital's baseline funding amount or adjusted baseline
37 funding amount, as appropriate.

38 (B) In the case of a designated public hospital that is part of a
39 hospital system containing multiple designated public hospitals
40 licensed to the same governmental entity, the total amount of the

1 payments made pursuant to this subdivision shall be considered
2 to have satisfied the limitation described in subparagraph (A) if
3 the sum of the allocations made under this section to the hospitals
4 in that hospital system, in combination with the sum of all other
5 payments described in subparagraph (A) made to the hospitals in
6 that system, does not exceed the sum of the individual baseline
7 funding amounts or individual adjusted baseline funding
8 amounts, as appropriate, for the hospitals in that system.

9 (2) The department shall establish the amount of the safety net
10 care pool payment described in paragraph (1) for each designated
11 public hospital in a manner that maximizes federal Medicaid
12 funding to the state during the term of the demonstration project.

13 (3) A safety net care pool payment amount may be paid to a
14 designated public hospital, or governmental entity with which it
15 is affiliated, pursuant to this section independent of the amount of
16 uncompensated Medi-Cal and uninsured costs that is certified as
17 public expenditures pursuant to Section 14166.8, provided that,
18 in accordance with the Special Terms and Conditions for the
19 demonstration project, the recipient hospital does not return any
20 portion of the funds received to any unit of government,
21 excluding amounts recovered by the state or federal government.

22 (4) In establishing the amount to be paid to each designated
23 public hospital under this subdivision, the department shall
24 minimize to the extent possible the redistribution of federal funds
25 that are based on certified public expenditures as described in
26 paragraph (3):

27 (b) Each designated public hospital, or governmental entity
28 with which it is affiliated, shall receive the amount established
29 pursuant to subdivision (a) in quarterly interim payments during
30 the project year. The determination of the interim payments shall
31 be made on an interim basis prior to the start of each project year,
32 except that, with respect to the 2005-06 project year, the
33 determination of the interim payments shall be made prior to
34 January 1, 2006. The department shall use the same cost and
35 statistical data that is used in determining the interim payments
36 for Medi-Cal inpatient hospital services under Section 14166.4
37 and for the disproportionate share hospital allocations under
38 Section 14166.6, for the corresponding period.

39 (e) (1) No later than April 1 following the end of the project
40 year, the department shall undertake an interim reconciliation of

1 the payment amount established pursuant to subdivision (a) for
2 each designated public hospital using Medicare and other cost,
3 payment, and statistical data submitted by the hospital for the
4 project year, and shall adjust payments to the hospital
5 accordingly.

6 (2) The final payment to a designated public hospital for
7 purposes of subdivision (b) and paragraph (1) of this subdivision,
8 shall be subject to final audits of all applicable Medicare and
9 other cost, payment, and statistical data for the project year, and
10 the distribution priorities set forth in Section 14166.20.

11 (d) (1) Each designated public hospital, or governmental
12 entity with which it is affiliated, shall be eligible to receive
13 additional safety net care pool payments above the baseline
14 funding amount or adjusted baseline funding amount, as
15 appropriate, from the Health Care Support Fund, established
16 pursuant to Section 14166.21, for the project year in accordance
17 with the stabilization funding determination for the hospital made
18 pursuant to Section 14166.75.

19 (2) Payment of the additional safety net care pool amounts
20 shall be subject to the distribution priorities set forth in Section
21 14166.21.

22 *SEC. 2. Section 14166.6 of the Welfare and Institutions Code*
23 *is amended to read:*

24 14166.6. (a) For the 2005-06 project year and subsequent
25 project years, each designated public hospital described in
26 subdivision (c) of Section 14166.3 shall be eligible to receive an
27 allocation of federal Medicaid funding from the applicable
28 federal disproportionate share hospital allotment pursuant to this
29 section. The department shall establish the allocations in a
30 manner that maximizes federal Medicaid funding to the state
31 during the term of the demonstration project, and shall consider,
32 at a minimum, all of the following factors, taking into account all
33 other payments to each hospital under this article:

34 (1) The optimal use of intergovernmental transfer-funded
35 payments described in subdivision (d).

36 (2) Each hospital's pro rata share of the applicable aggregate
37 designated public hospital baseline funding amount described in
38 subdivision (d) of Section 14166.5.

39 (3) That the allocation under this section, in combination with
40 the federal share of certified public expenditures for Medicaid

1 inpatient hospital services for the project year determined under
2 subdivision (a) of Section 14166.4, any supplemental
3 reimbursement for professional services rendered to hospital
4 inpatients determined for the project year under subdivision (e)
5 of Section 14166.4, and the distribution of safety net care pool
6 funds from the Health Care Support Fund determined under
7 subdivision (a) of Section 14166.7, shall not exceed the baseline
8 funding amount or adjusted baseline funding amount, as
9 appropriate, for the hospital.

10 (4) Minimizing the need to redistribute federal funds that are
11 based on the certified public expenditures of designated public
12 hospitals as described in subdivision (c).

13 (b) Each designated public hospital shall receive its allocation
14 of federal disproportionate share hospital payments in one or
15 both of the following forms:

16 (1) Distributions from the Demonstration Disproportionate
17 Share Hospital Fund established pursuant to subdivision (d) of
18 Section 14166.9, consisting of federal funds claimed and
19 received by the department, pursuant to subparagraphs (A) and
20 (C) of paragraph (2) of subdivision (a) of Section 14166.9 based
21 on designated public hospitals' certified public expenditures up
22 to 100 percent of uncompensated Medi-Cal and uninsured costs.

23 (2) Intergovernmental transfer-funded payments, as described
24 in subdivision (d). For purposes of determining whether the
25 hospital has received its allocation of federal disproportionate
26 share hospital payments established under this section, only the
27 federal share of intergovernmental transfer-funded payments
28 shall be considered.

29 (c) The distributions described in paragraph (1) of subdivision
30 (b) may be made to a designated public hospital independent of
31 the amount of uncompensated Medi-Cal and uninsured costs
32 certified as public expenditures by that hospital pursuant to
33 Section 14166.8, provided that, in accordance with the Special
34 Terms and Conditions for the demonstration project, the recipient
35 hospital does not return any portion of the funds received to any
36 unit of government, excluding amounts recovered by the state or
37 federal government.

38 (d) Designated public hospitals that meet the requirement of
39 Section 1396r-4(b)(1)(A) of Title 42 of the United States Code
40 regarding the Medicaid inpatient utilization rate or Section

1 1396r-4(b)(1)(B) of Title 42 of the United States Code regarding
2 the low-income utilization rate, may receive intergovernmental
3 transfer-funded disproportionate share hospital payments as
4 follows:

5 (1) The department shall establish the amount of the hospital's
6 intergovernmental transfer-funded disproportionate share
7 hospital payment. The total amount of that payment, consisting
8 of the federal and nonfederal components, shall in no case exceed
9 that amount equal to 75 percent of the hospital's uncompensated
10 Medi-Cal and uninsured costs of hospital services, determined in
11 accordance with the Special Terms and Conditions for the
12 demonstration project.

13 (2) A transfer amount shall be determined for each hospital
14 that is subject to this subdivision, equal to the nonfederal share of
15 the payment amount established for the hospital pursuant to
16 paragraph (1). The transfer amount so determined shall be paid
17 by the hospital, or the public entity with which the hospital is
18 affiliated, and deposited into the Medi-Cal Inpatient Payment
19 Adjustment Fund established pursuant to subdivision (b) of
20 Section 14163. The sources of funds utilized for the transfer
21 amount shall not include impermissible provider taxes or
22 donations as defined under Section 1396b(w) of Title 42 of the
23 United States Code or other federal funds. For this purpose,
24 federal funds do not include patient care revenue received as
25 payment for services rendered under programs such as Medicare
26 or Medicaid.

27 (3) The department shall pay the amounts established pursuant
28 to paragraph (1) to each hospital using the transfer amounts
29 deposited pursuant to paragraph (2) as the nonfederal share of
30 those payments. The total intergovernmental transfer-funded
31 payment amount, consisting of the federal and nonfederal share,
32 paid to a hospital shall be retained by the hospital in accordance
33 with the Special Terms and Conditions for the demonstration
34 project.

35 (e) The total federal disproportionate share hospital funds
36 allocated under this section to designated public hospitals with
37 respect to each project year, in combination with the federal
38 share of disproportionate share hospital payment adjustments
39 made to nondesignated public hospitals pursuant to Section

1 14166.16 for the same project year, shall not exceed the
2 applicable federal disproportionate share hospital allotment.

3 (f) (1) Each designated public hospital shall receive quarterly
4 interim payments of its disproportionate share hospital allocation
5 during the project year. The determinations set forth in
6 subdivisions (a) to (e), inclusive, shall be made on an interim
7 basis prior to the start of each project year, except that, with
8 respect to the 2005-06 project year, the interim determinations
9 shall be made prior to January 1, 2006. The department shall use
10 the same cost and statistical data used in determining the interim
11 payments for Medi-Cal inpatient hospital services under Section
12 14166.4, and available payments and uncompensated and
13 uninsured cost data, including data from the Medi-Cal paid
14 claims file and the hospital's books and records, for the
15 corresponding period.

16 (2) *Prior to the distribution of payments in accordance with*
17 *paragraph (1) and with subdivision (g) to a designated public*
18 *hospital that is part of a hospital system containing multiple*
19 *designated public hospitals licensed to the same governmental*
20 *entity, the department shall consult with the applicable*
21 *governmental entity. The department shall implement any*
22 *adjustments to the payment distributions for the hospitals in that*
23 *hospital system as requested by the governmental entity if the net*
24 *effect of the requested adjustments for those hospitals is zero.*
25 *The adjustments made pursuant to this paragraph with respect to*
26 *an affected hospital shall be disregarded in the application of the*
27 *limitations described in paragraph (3) of subdivision (a), and in*
28 *paragraph (1) of subdivision (a) of Section 14166.7.*

29 (g) No later than April 1 following the end of the project year,
30 the department shall undertake an interim reconciliation of
31 payments based on Medicare and other cost, payment, and
32 statistical data submitted by the hospital for the project year, and
33 shall adjust payments to the hospital accordingly.

34 (h) Each designated public hospital shall receive its
35 disproportionate share hospital allocation, as computed pursuant
36 to subdivisions (a) to (e), inclusive, subject to final audits of all
37 applicable Medicare and other cost, payment, and statistical data
38 for the project year.

39 SEC. 3. *Section 14166.7 of the Welfare and Institutions Code*
40 *is amended to read:*

1 14166.7. (a) (1) With respect to each project year,
2 designated public hospitals, or governmental entities with which
3 they are affiliated, shall be eligible to receive safety net care pool
4 payments from the Health Care Support Fund established
5 pursuant to Section 14166.21. The total amount of these
6 payments, in combination with the federal share of certified
7 public expenditures for Medicaid inpatient hospital services
8 determined for the project year under subdivision (a) of Section
9 14166.4, any supplemental reimbursement for physician and
10 nonphysician practitioner services rendered to hospital inpatients
11 determined for the project year under subdivision (e) of Section
12 14166.4, and the federal disproportionate share hospital
13 allocation determined under Section 14166.6, shall not exceed
14 the hospital's baseline funding amount or adjusted baseline
15 funding amount, as appropriate.

16 (2) The department shall establish the amount of the safety net
17 care pool payment described in paragraph (1) for each designated
18 public hospital in a manner that maximizes federal Medicaid
19 funding to the state during the term of the demonstration project.

20 (3) A safety net care pool payment amount may be paid to a
21 designated public hospital, or governmental entity with which it
22 is affiliated, pursuant to this section independent of the amount of
23 uncompensated Medi-Cal and uninsured costs that is certified as
24 public expenditures pursuant to Section 14166.8, provided that,
25 in accordance with the Special Terms and Conditions for the
26 demonstration project, the recipient hospital does not return any
27 portion of the funds received to any unit of government,
28 excluding amounts recovered by the state or federal government.

29 (4) In establishing the amount to be paid to each designated
30 public hospital under this subdivision, the department shall
31 minimize to the extent possible the redistribution of federal funds
32 that are based on certified public expenditures as described in
33 paragraph (3).

34 (b) (1) Each designated public hospital, or governmental
35 entity with which it is affiliated, shall receive the amount
36 established pursuant to subdivision (a) in quarterly interim
37 payments during the project year. The determination of the
38 interim payments shall be made on an interim basis prior to the
39 start of each project year, except that, with respect to the 2005-06
40 project year, the determination of the interim payments shall be

made prior to January 1, 2006. The department shall use the same cost and statistical data that is used in determining the interim payments for Medi-Cal inpatient hospital services under Section 14166.4 and for the disproportionate share hospital allocations under Section 14166.6, for the corresponding period.

(2) Prior to the distribution of payments in accordance with paragraph (1) and with subdivision (c) to a designated public hospital that is part of a hospital system containing multiple designated public hospitals licensed to the same governmental entity, the department shall consult with the applicable governmental entity. The department shall implement any adjustments to the payment distributions for the hospitals in that hospital system as requested by the governmental entity if the net effect of the requested adjustments for those hospitals is zero. The adjustments made pursuant to this paragraph with respect to an affected hospital shall be disregarded in the application of the limitations described in paragraph (1) of subdivision (a), and in paragraph (3) of subdivision (a) of Section 14166.6.

(c) (1) No later than April 1 following the end of the project year, the department shall undertake an interim reconciliation of the payment amount established pursuant to subdivision (a) for each designated public hospital using Medicare and other cost, payment, and statistical data submitted by the hospital for the project year, and shall adjust payments to the hospital accordingly.

(2) The final payment to a designated public hospital for purposes of subdivision (b) and paragraph (1) of this subdivision, shall be subject to final audits of all applicable Medicare and other cost, payment, and statistical data for the project year, and the distribution priorities set forth in Section 14166.20.

(d) (1) Each designated public hospital, or governmental entity with which it is affiliated, shall be eligible to receive additional safety net care pool payments above the baseline funding amount or adjusted baseline funding amount, as appropriate, from the Health Care Support Fund, established pursuant to Section 14166.21, for the project year in accordance with the stabilization funding determination for the hospital made pursuant to Section 14166.75.

(2) Payment of the additional safety net care pool amounts shall be subject to the distribution priorities set forth in Section 14166.21.

SEC. 4. Section 14166.75 of the Welfare and Institutions Code is amended to read:

14166.75. (a) For services provided during the 2005-06 project year, the amount allocated to designated public hospitals pursuant to subparagraph (A) of paragraph (2) and subparagraph (A) of paragraph (5) of subdivision (b) of Section 14166.20 shall be allocated, in accordance with this section, among the designated public hospitals and paid as direct grants, which shall not constitute Medi-Cal payments.

(b) The baseline funding amount, as determined under Section 14166.5, for San Mateo Medical Center shall be increased by eight million dollars (\$8,000,000) for purposes of this section.

(c) The following payments shall be made from the amount identified in subdivision (a), in addition to any other payments due to the University of California hospitals and health system and County of Los Angeles hospitals under this section:

(1) The lower of eleven million dollars (\$11,000,000) or 3.67 percent of the amount identified in subdivision (a) to the University of California hospitals and health system.

(2) In the event that the one hundred eighty million dollars (\$180,000,000) identified in paragraph 41 of the Special Terms and Conditions for the demonstration project is available in the safety net care pool for the project year, the lower of twenty-three million (\$23,000,000) or 7.67 percent of the amount identified in subdivision (a) to the County of Los Angeles, Department of Health Services, hospitals. If an amount less than the one hundred eighty million dollars (\$180,000,000) is available during the project year, the amount determined under this paragraph shall be reduced proportionately.

(d) The amount identified in subdivision (a), as reduced by the amounts identified in subdivision (c), shall be distributed among the designated public hospitals as follows:

(1) Designated public hospitals that are donor hospitals, and their associated donated certified public expenditures, shall be identified as follows:

(A) An initial pro rata allocation of the amount subject to this subdivision shall be made to each designated public hospital,

1 based upon the hospital's baseline funding amount determined
2 pursuant to Section 14166.5, and as further adjusted in
3 subdivision (b). This initial allocation shall be used for purposes
4 of the calculations under subparagraph (C) and paragraph (3).

5 (B) The federal financial participation amount arising from the
6 certified public expenditures of each designated public hospital,
7 including the expenditures of the governmental entity,
8 nonhospital clinics, and other provider types ~~to~~ *with* which it is
9 affiliated, that were claimed by the department from the federal
10 disproportionate share hospital allotment pursuant to
11 subparagraphs (A) and (C) of paragraph (2) of subdivision (a) of
12 Section 14166.9, and from the safety net care pool funds
13 pursuant to paragraph (3) of subdivision (a) of Section 14166.9,
14 shall be determined.

15 (C) The amount of federal financial participation received by
16 each designated public hospital, and by the governmental entity,
17 nonhospital clinics, and other provider types ~~to~~ *with* which it is
18 affiliated, based on certified public expenditures from the federal
19 disproportionate share hospital allotment pursuant to paragraph
20 (1) of subdivision (b) of Section 14166.6, and from the safety net
21 care pool payments pursuant to subdivision (a) of Section
22 14166.7 shall be identified. *With respect to this identification, if*
23 *a payment adjustment for a hospital has been made pursuant to*
24 *paragraph (2) of subdivision (f) of Section 14166.6, or*
25 *paragraph (2) of subdivision (b) of Section 14166.7, the amount*
26 *of federal financial participation received by the hospital based*
27 *on certified public expenditures shall be determined as though no*
28 *such payment adjustment had been made.* The resulting amount
29 shall be increased by amounts distributed to the hospital pursuant
30 to subdivision (c) of this section, paragraph (1) of subdivision (b)
31 of Section 14166.20, and the initial allocation determined for the
32 hospitals in subparagraph (A).

33 (D) If the amount in subparagraph (B) is greater than the
34 amount determined in subparagraph (C), the hospital is a donor
35 hospital, and the difference between the two amounts is deemed
36 to be that donor hospital's associated donated certified public
37 expenditures amount.

38 (2) Seventy percent of the total amount subject to this
39 subdivision shall be allocated pro rata among the designated
40 public hospitals based upon each hospital's baseline funding

1 amount determined pursuant to Section 14166.5, and as further
2 adjusted in subdivision (b).

3 (3) The lesser of the remaining 30 percent of the total amount
4 subject to this subdivision or the total amounts of donated
5 certified public expenditures for all donor hospitals, shall be
6 distributed pro rata among the donor hospitals based upon the
7 donated certified public expenditures amount determined for
8 each donor hospital. Any amounts not distributed pursuant to this
9 paragraph shall be distributed in accordance with paragraph (2).

10 (e) The department shall consult with designated public
11 hospital representatives regarding the appropriate distribution of
12 stabilization funding before stabilization funds are allocated and
13 paid to hospitals. No later than 30 days after this consultation, the
14 department shall issue a final allocation of stabilization funding
15 under this section that shall not be modified for any reason other
16 than mathematical errors or mathematical omissions on the part
17 of the department.

18 ~~SEC. 4.~~

19 *SEC. 5.* This act is an urgency statute necessary for the
20 immediate preservation of the public peace, health, or safety
21 within the meaning of Article IV of the Constitution and shall go
22 into immediate effect. The facts constituting the necessity are:

23 In order to implement the Medi-Cal Hospital/Uninsured
24 Demonstration Project and preserve the financial viability of the
25 state's safety net hospitals as soon as possible, it is necessary that
26 this act take effect immediately.